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December 1936

THE HOG SITUATION

Summary

The seasonal low point in hog prices was reached in late October this year, with prices remaining fairly steady in November and a rather sharp advance occurring in early December. The average price for hogs purchased by packers and shippers at Chicago in November was \$9.48 per 100 pounds, 7 cents lower than in October but 17 cents higher than in November a year earlier.

Slaughter supplies were large in November. The total number of hogs slaughtered under Federal inspection amounted to 4,292,000 head, a 23 percent increase over the October slaughter and a 77 percent increase over slaughter in November a year earlier. The comparative strength shown by hog prices in the face of relatively large supplies was due in part to increases in consumer demand for meats, and in part to an active demand by packers for storage supplies.

Hog prices during most of the remainder of the 1936-37 marketing year (through September 1937) are expected to average higher than in corresponding periods in 1935-36. The price movement from now until about the end of March is expected to be generally upward. A further advance in hog prices is anticipated for the coming summer.

A larger than usual proportion of total slaughter for the current marketing year will have occurred by the end of December. The number of hogs slaughtered in the calendar year 1937 probably will be smaller than in 1936 even though the total for the 1936-37 marketing year may be larger

than that of a year earlier. The low hog-corn price ratio prevailing in the fall months probably has resulted in a rather sharp curtailment in breeding operations for the 1937 spring pig crop, and this curtailment together with the reduced 1936 fall pig crop is expected to result in comparatively small supplies of butcher hogs for at least another year. If corn crop prospects are more nearly normal next year, the hog-corn price ratio is expected to advance rather sharply by the time breeding for the fall pig crop is begun. Under these circumstances an expansion may be expected in hog production by next fall. This expansion will not be reflected in slaughter supplies, however, before the spring of 1938.

Review of Recent Developments

BACKGROUND - On January 1, 1933, the number of hogs on farms was at the highest level in 10 years. Slaughter numbers in 1933 were large and the condition of demand was such that prices of butcher hogs fluctuated between \$3.00 and \$4.00 per 100 pounds. In 1934, numbers were reduced sharply because of the severe drought and the operations of the Federal corn-hog adjustment program. As a result of greatly reduced slaughter supplies and improved demand conditions, hog prices rose sharply in 1935. The corn crop in 1935 was of fair size, and corn prices declined. Thus, the hog-corn price ratio became distinctly favorable for breeding, and there were sharp increases in the pig crops of the fall of 1935 and spring of 1936. The expansion in hog production was checked, however, by the feed shortage caused by the 1936 drought.

The decline in hog prices which began in late August of this year continued until late October when the seasonal low point was reached. Prices recovered slightly in early November and remained fairly steady throughout the month at a level very little lower than the average for October.

Though market receipts of hogs in November were much larger than those of a year earlier, prices averaged somewhat higher, reflecting to a large extent the increase in consumer purchasing power and the improved demand for hog products. An active storage demand also was instrumental in lending support to hog prices. Fewer signs of drought-forced liquidation were evident in November, and at the close of the month and in early December hog prices turned up rather sharply.

Good and choice heavy weight hogs (290-350 pounds) sold above medium weights (200-220 pounds) of the same grades at Chicago in late November for the first time since February 1935, reflecting the relative scarcity of the heavier weights in the slaughter supplies. The price range on all butcher hogs of good quality weighing over 200 pounds was very narrow. The spread between the prices of packing sows and butcher hogs also was narrow in November. Extremely light weight hogs, however, still sold at a considerable discount under prices of medium and heavy weights.

Hog slaughter increased about seasonally from October to November. Slaughter under Federal inspection of 4,292,000 head in November was 23 percent larger than that of a month earlier and 77 percent larger than the extremely small slaughter of November a year earlier. The rate of marketings varied considerably by regions. An unusually large increase in the rate of slaughter in Western Corn Belt markets was apparently about offset by less than seasonal increases in other areas.

Though the average weights of hogs marketed decreased rapidly from August to November, the full utilization of grass crops made possible by excellent fall weather conditions has aided in producing a fair finish on hogs in spite of the relative scarcity of feed grains. Average hog weights, which in September and October were lower than those of the same months in 1934, were higher than in 1934 during the latter half of November.

Storage stocks of most pork items and of lard showed considerable increases during November. Total storage holdings of 456,000,000 pounds of pork on December 1 were about normal for that date, and were much larger than for December 1 a year earlier. Holdings of dry salt pork, however, decreased during the month, largely as a result of the comparatively small supply of heavy hogs. Storage holdings of lard totaled 107,000,000 pounds on December 1, about 13 percent larger than such stocks on November 1. This was the first time since 1924 that lard holdings have increased in November.

Wholesale prices of fresh pork, after declining sharply in October, advanced in early November but declined moderately in the latter part of the month. The price on heavy cuts exhibited a comparative strength which was consistent with the strength in the price of heavy hogs. Wholesale prices of cured pork products were mostly steady during November, following a gradual decline in October. The composite wholesale price of hogs at New York was \$20.04 in November compared with \$20.90 in October and \$23.71 in November of last year. The price of lard turned upward considerably in November, and reached new highs for the year in the first days of December.

Total exports of pork in October amounted to 4,250,000 pounds, only 1 percent larger than in September in spite of the increase in domestic slaughter, and 9 percent less than the quantity shipped in October 1935. Although shipments of bacon held up fairly well, largely as a result of relatively high foreign prices for this product, total exports of hams and shoulders declined to new low levels and were nearly 40 percent less than the extremely small shipments in October, 1935.

Total lard exports in October, however, showed a further increase. Lard shipments totaled 10,500,000 pounds, 34 percent greater than those in September and 62 percent greater than the small shipments in October of last year. Substantial increases were made in shipments to the United Kingdom, Mexico and Germany, with Cuban takings remaining relatively large.

The Outlook As It Now Appears

With industrial activity and pay rolls showing further advances, consumer income and demand for meat products is expected to continue the improvement now under way.

It is anticipated that national income will show about a 10 percent increase in 1937 over that of 1936, which will be a supporting factor in maintaining hog prices. This situation, together with the probability that hog slaughter supplies will be comparatively small next spring and summer, have resulted in a current strong storage demand for hog products, which is expected to be an important price supporting factor for at least another month. If corn crop prospects are approximately normal next spring, a comparatively strong demand for breeding stock is expected to develop, which by tending further to reduce the supply of hogs available for slaughter at that time is also expected to be a price supporting factor.

Although exports of pork and lard increased moderately in October and some further increase may be anticipated for the balance of the year, foreign demand for American hog products is at a comparatively low level, and is not expected to improve sufficiently in 1937 to attract any great volume of American exports. Shipments of cured pork to Great Britain are running currently below quota levels, and the reduction in British imports of lard has been offset to a large extent by increased imports of vegetable and marine oils. The recently announced food reserve program in Great Britain, however, may result in increased shipments of lard to that country in the near future. Latest census returns indicate that the recent increases in hog numbers have become more general in Continental Europe. It is expected that slaughter supplies of hogs in Germany will show substantial increases in the late winter and spring months, and in Denmark supplies of hogs for slaughter in the winter season will be considerably larger than a year earlier.

The increase in hog numbers in Europe, together with the continuation of exchange difficulties and the relatively small slaughter supplies and high prices of hogs anticipated in the United States, is expected to result in a lower level of exports of pork and lard in 1937 than in 1936.

Although supplies of hogs in the 1936-37 marketing year are expected to be larger than those of either of the two preceding marketing years, slaughter for 1937 will probably be lower than in 1936 and may be nearly as low as in 1935. The heavy winter run of hogs marketed, which began in October, is expected to be over by mid-January - earlier than usual - and will have accounted for a much larger than usual proportion of the marketing year total.

Slaughter supplies from January to March probably will be much smaller than in the period from October to December, although slaughter in these two periods ordinarily is about equal. Hog prices in the first quarter of 1937 are expected to continue the rise begun in early December.

The sharp rise in feed prices which occurred in July and August resulted in a rather heavy liquidation of sows bred for late fall litters, and a comparatively small fall pig crop. A larger than usual proportion of the total fall pig crop (June 1 - November 30) was farrowed in the early summer months, with the result that the peak of marketings of 1936 fall pigs may be reached in April next year rather than in May or June. This may result in a moderate recession of hog prices in late March or April. The relatively small supplies of butcher hogs anticipated for slaughter in late summer 1937, and the withholding of sows for breeding if corn crop prospects are normal, are expected to result in a fairly sharp price advance in that period. Hog prices will probably reach the highest point for the 1936-37 marketing year in late summer or early fall of 1937.

The advance in hog prices in the first week in December carried the hog-corn price ratio to 9.3, based on Chicago prices, the highest weekly average ratio since the week ended September 5.

Corn prices are not expected to show much change from present levels until prospects for the 1937 corn crop become apparent. With hog prices probably advancing from now until March, the hog-corn price ratio is expected to become progressively more favorable for hog feeders and for breeding operations. Breeding operations for the 1937 spring pig crop from September to November this year, however, were undoubtedly sharply curtailed because of the relatively low hog-corn price ratio then prevailing. With the gradual increase in the price ratio, breeding operations from December to early March may be expected to be on a somewhat larger scale, with the result that spring litters will be farrowed, on the average, somewhat later than usual. The total spring pig crop in 1937 is expected to be much smaller than that of 1936, but probably not as small as that of 1935. Unless another severe drought occurs in 1937, the hog-corn price ratio next spring and summer will probably become distinctly favorable for rather extensive breeding, with the result that the 1937 fall pig crop, as well as the spring pig crop of 1938, may be expected to show considerable increases over the 1936 fall and 1937 spring pig crops.

Table 1.- Hogs: Average price per 100 pounds of packer and shipper purchases at Chicago and at seven leading markets, 1934-36

Date	Chicago			Seven leading markets 1936
	1934	1935	1936	
	Dollars	Dollars	Dollars	
Month:				
Aug.	5.89	10.78	10.06	9.84
Sept.	6.82	10.95	9.89	9.66
Oct.	5.60	9.83	9.55	9.27
Nov.	5.66	9.31	9.48	9.20
Week ended 1/				
Nov. 7	5.63	9.08	9.45	9.13
Nov. 14	5.78	9.24	9.49	9.15
Nov. 21	5.68	9.42	9.43	9.19
Nov. 28	5.63	9.52	9.49	9.28
Dec. 5	5.69	9.75	9.73	9.50

1/ 1936; corresponding weeks in 1934 and 1935.

Table 2.- Hogs: Number slaughtered under Federal inspection, September-November 1936 with comparisons

Month	Average 1928-32	1934		1935		1936	
		1,000	1,000	1,000	1,000	1,000	1,000
		head	head	head	head	head	head
Sept.	2,918	2,601		1,453		2,403	
Oct.	3,688	3,545		2,135		3,492	
Nov.	4,195	4,312		2,422		4,292	
Total 3 months	10,801	10,458		6,010		10,187	

Bureau of Animal Industry.

Table 3.- Average live weight of hogs and packing sows as a percentage of total packer and shipper purchases at seven leading markets, 1934-36

Date	Hogs			Packing sows	
	Average live weight			Percentage of total packer and shipper purchases	
	1934	1935	1936	1935	1936
Month:	Pounds	Pounds	Pounds	Percent	Percent
Aug.	241	251	256	29	44
Sept.	236	250	232	28	28
Oct.	218	242	212	22	14
Nov.	207	232	208	10	6
Week ended 1/					
Nov. 7	209	232	206	13	7
Nov. 14	209	232	207	10	6
Nov. 21	204	231	209	9	5
Nov. 28	203	232	209	9	5
Dec. 5	200	232	212	8	5

1/ 1936; corresponding weeks in 1934 and 1935.

Table 4.-Average price of corn at Chicago and hog-corn price ratios, specified locations, 1936

Month	:Average price per :		Hog-corn price ratios based on 1/		
	: bushel of No. 3 :		:North Central: United		
	: Yellow corn at :		Chicago	States farm	States
	Chicago	prices		prices	farm prices
Average,		Cents	Bushels	Bushels	Bushels
Jan.-June	62.2		16.2	18.2	15.8
July	85.8		11.4	12.0	11.4
Aug.	113.5		8.9	9.5	9.5
Sept.	112.1		8.8	9.5	9.2
Oct.	106.6		9.0	9.6	9.4
Nov.	104.7		9.1	9.2	9.2

1/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

Table 5.-Pork and lard: Stocks in cold storage on December 1, 1936, with comparisons

Item	Dec. 1				
	average	Dec. 1,	Nov. 1,	Dec. 1,	1/
	1931-35	1935	1936	1936	1/
	1,000	1,000	1,000	1,000	
	pounds	pounds	pounds	pounds	
Total pork	431,007	253,209	354,950	456,429	
Lard	64,480	37,906	94,748	106,927	

1/ Preliminary.

Table 6.-Pork and lard: Exports from the United States, August-October, 1936, with comparisons

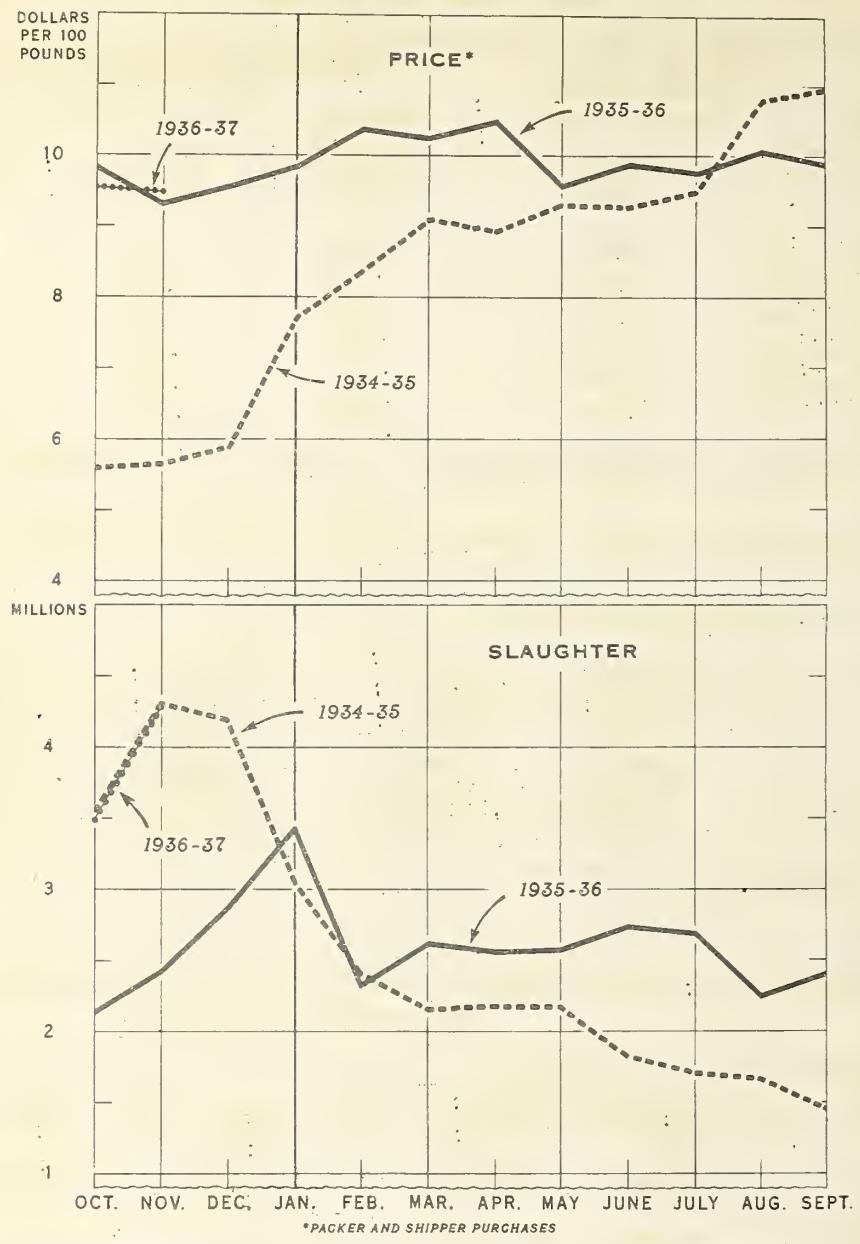
Item and month	Average		1934	1935	1936
	1924-28	1929-33			
	1,000	1,000			
Pork: 1/	pounds	pounds	pounds	pounds	pounds
Aug.	35,223	17,131	15,965	6,785	6,105
Sept.	32,532	14,242	9,949	4,659	4,207
Oct.	29,522	13,949	8,641	4,656	4,249
Total 3 months	97,277	45,322	34,555	16,100	14,561
Lard: 2/					
Aug.	57,000	42,871	29,755	3,470	6,119
Sept.	60,688	46,110	31,701	1,553	7,876
Oct.	54,042	52,415	27,096	2,769	10,536
Total 3 months	171,730	141,396	88,552	7,792	24,531

Compiled from records of the United States Department of Commerce.

1/ Includes bacon, hams and shoulders, and fresh, canned, and pickled pork.

2/ Includes neutral lard.

HOGS: AVERAGE PRICE AT CHICAGO AND FEDERALLY
INSPECTED SLAUGHTER, 1934 TO DATE



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SLAUGHTER SUPPLIES OF HOGS INCREASED GREATLY IN THE LAST THREE MONTHS LARGELY BECAUSE OF LIQUIDATION AND EARLY MARKETINGS RESULTING FROM THE 1936 DROUGHT. THE DECLINE IN HOG PRICES SINCE SEPTEMBER, HOWEVER, HAS BEEN ONLY MODERATE DESPITE THE LARGE INCREASE IN SUPPLIES, THUS INDICATING FURTHER IMPROVEMENT IN DEMAND. IT IS EXPECTED THAT HOG SLAUGHTER DURING THE REMAINDER OF 1936-37 WILL BE SHARPLY REDUCED AS WAS THE CASE IN 1934-35 FOLLOWING THE DROUGHT OF 1934. AS SUPPLIES ARE REDUCED, HOG PRICES IN 1936-37 ARE LIKELY TO ADVANCE AND THE COURSE OF HOG PRICES THIS YEAR MAY BE SOMEWHAT SIMILAR TO THAT OF 1934-35.